

CORPORATEGEAR.COM

**E- Commerce all-encompassing exchange for the branded promotional products industry**

**BUSINESS PLAN**

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## **A Corporategear.com Overview**

### ***What is Corporategear.com?***

*Corporategear.com* is a new business model for the branded promotional products industry. *Corporategear.com* is the first-to-market to apply the many advantages of e-commerce to this industry by building an exchange for its varied members. *Corporategear.com's* goal is to offer high value merchandise while simplifying the selection and branding process.

### ***Corporategear.com's Objectives:***

- Provide the industry with greater access to data in order to increase sales volume and reduced cost of sales
- Simplify the process by integrating shipping, insurance and financing into the business model
- Gain profitable product research and marketing information through new awareness of customer preferences and behavior.

***Corporategear.com will create the branded, standard method of purchase within the promotional products industry.***

### ***History***

*Corporategear.com* originally started as a sales promotion agency in 1996 called Verchère Group, and grew to almost \$3 million in revenues with a multinational client base including companies like Estée Lauder, Paine Webber, Iridium, and the Walt Disney Company. In January 1999 the company became *Corporategear.com* and focused on building an e-commerce solution to the way the industry does business. On July 1, 1999, *Corporategear.com's* promotional products exchange went live online, starting to build a solid customer and vendor partner base. *Corporategear.com* is an agent of necessary and inevitable change in the promotional products industry and is currently effecting that change at a rapid pace.

### ***Strategy***

#### **First to Market**

*Corporategear.com* is bringing the branded promotional products industry into the Internet age with a new business model. *Corporategear.com* has a significant first-to-market advantage in this unsophisticated industry. Currently user expectations are on par with those in the used car industry. By raising these

expectations quickly and significantly *Corporategear.com* will claim critical mind share and establish the future direction of the industry.

### **End-to-end solution**

*Corporategear.com* is not developing services that already exist. Instead it is establishing relationships with business service partners and integrating existing services such as shipping, insurance, and financing into its exchange model. *Corporategear.com*'s brand eventually can transcend almost all business and organizational products and services from office supplies, to facilities management and legal services, to document management. *Corporategear.com* will grow, with a potential for revenue and profit from every component of every transaction channel within the promotional products industry.

### **Short and Long Term Goals**

#### **Short-term**

*Corporategear.com* has two short-term objectives that will create significant shareholder value in the next six months. Both these steps bring *Corporategear.com* closer to establishing an e-commerce exchange standard in the promotional products industry.

- The first objective is to create the largest online collection of corporate identity artwork in the world, making it easier for corporate customers to put their logos on the promotional products *Corporategear.com* offers. This resource is presently growing as interested corporate users log on to our site and upload their company logos themselves.
- The second objective is to create the largest database of real-time supplier product and specification data in the world for the promotional products industry. There is currently no accurate database of product specification information in existence. The *Corporategear.com* database already includes all suppliers in the industry-standard supplier brochure and continues to expand.

*Corporategear.com* has made significant gains in this endeavor by generating excitement in the industry about the power of these databases and acquiring the cooperation of those needed to be involved.

#### **Long-term**

*Corporategear.com* will become the **single point of contact** for the branded promotional products industry. As *Corporategear.com* proves and refines the scalability of several key concepts, it is seeking additional funding in order to initiate scaling. The objective is to become the dominant **branded** player in the \$79.4 billion promotional industry worldwide.

*Corporategear.com* intends to use its experience in the promotional products industry to create the buying relationships, the marketing community, and the customer service experience to position *Corporategear.com* as a contender for the most coveted position in e-commerce: **a dominant, branded business portal.**

## Industry and Market Overview

### *Overview*



Branded promotional products are the advertising, sales promotion, and marketing communications media that employ useful or decorative merchandise imprinted with an advertiser's identification, message or logo. These items effectively communicate a brand identity or a message and are used to create brand awareness, solidify customer relations and increase sales.

### ***Why Do We Use Promotional Products?***

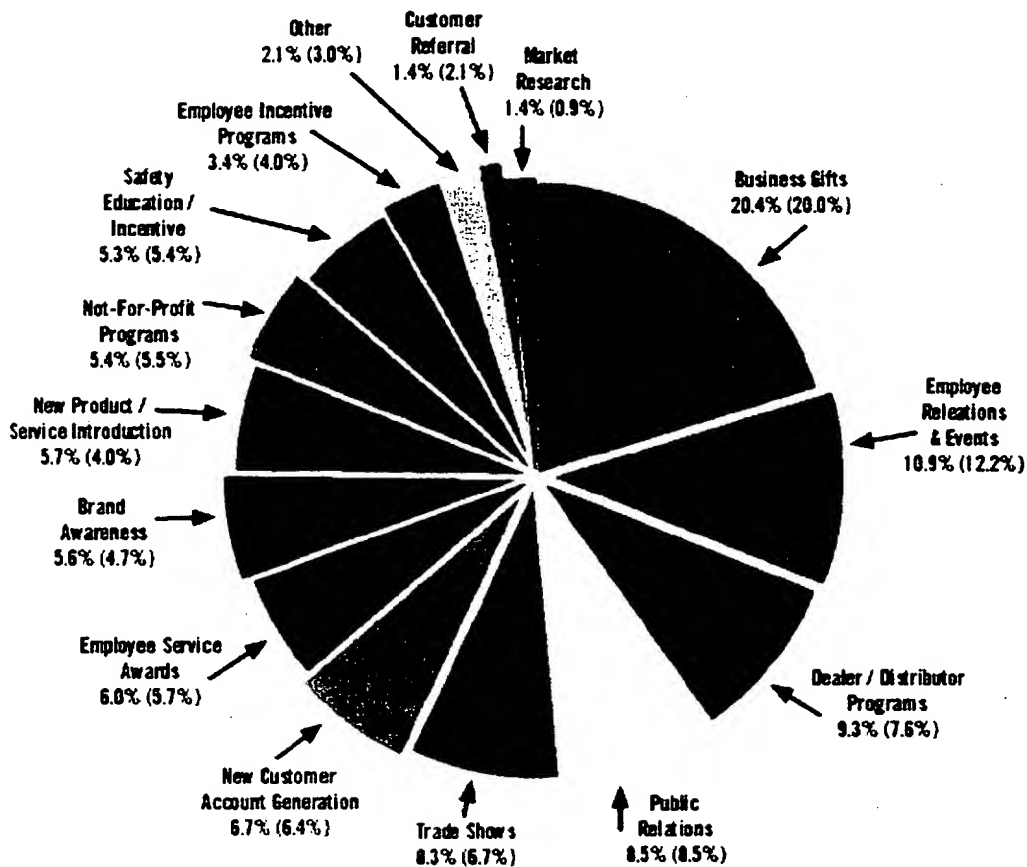
The branded promotional products sector of the advertising industry provides unique marketing opportunities. Branded products are easy to understand and are useful in meeting many marketing objectives such as announcing a name change or building a company image.

The personal touch inherent in gift giving makes branded product advertising a high-impact tool when used in conjunction with other media. Typical uses include the following:

- Building brands
- Launching products
- Reminder advertising
- Improving customer relations
- New customer/account generation
- Increasing traffic and awareness at trade shows
- Safety programs
- Annual meetings
- Seasonal events
- Public relations
- Employee relations

### Reseller Sales in 1998 By Program Type<sup>1</sup>

(Number in parenthesis indicate 1997 Sales By Program Type)



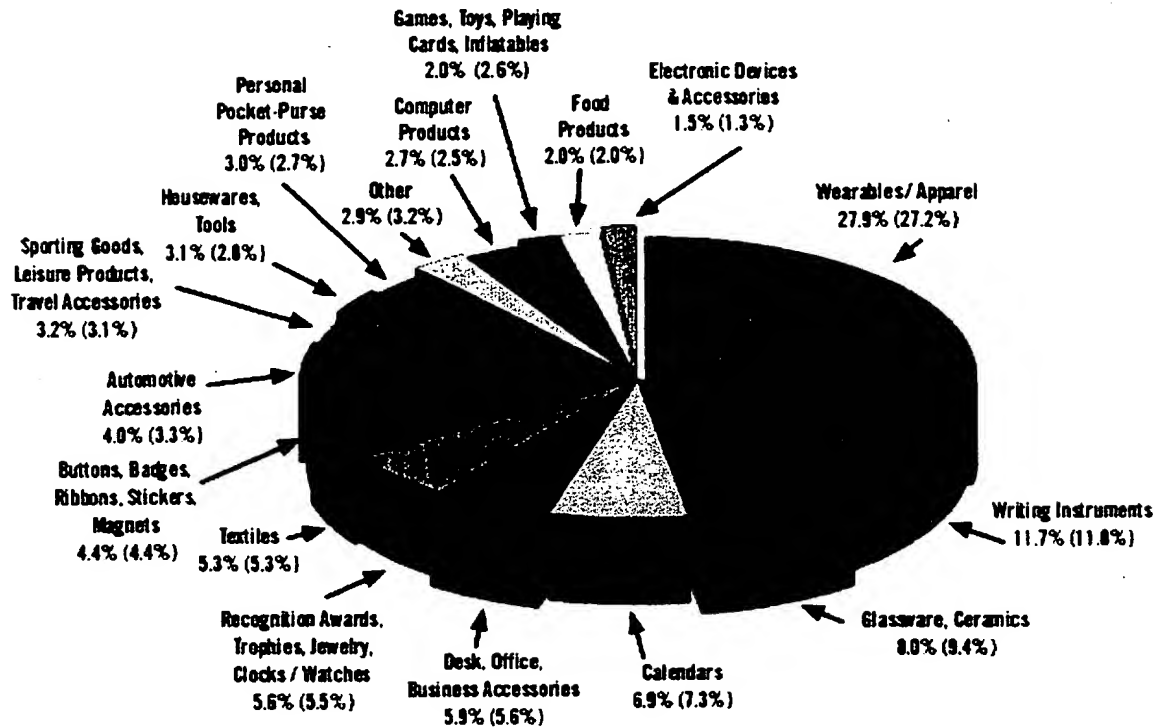
The branded promotional products market is a growing market. Furthermore, businesses are focusing on brand identity as an important part of Internet marketing.

#### ***Branded Promotional Products***

There are more than 500,000 branded promotional products available. They vary from a plastic key chain to a velvet lined jewelry box. Prices and quality can vary as much as the items themselves. The selection process is often haphazard and impulsive. Presently product information is distributed inefficiently via catalog and CD-ROM.

## Reseller Sales in 1998 By Product Category<sup>2</sup>

(Number in parenthesis indicate 1997 Sales By Product Category)



### **Industry**

The industry is stable with \$14 billion in estimated US sales<sup>3</sup> and \$79.4 billion in international sales<sup>4</sup> in 1998. It is growing domestically at 15% per year<sup>5</sup>. The rate of growth is predicted to continue as globalization and competition increase the significance of brand identity. The size of this industry as well as the opportunities within are not apparent due to fragmented distribution and supply channels.

Presently the industry is low tech from end to end, has no dominant business model that allows for scaling, and has no recognizable national brand. **The industry is a prime candidate for an all-encompassing, branded, e-commerce solution – *Corporategear.com*.**

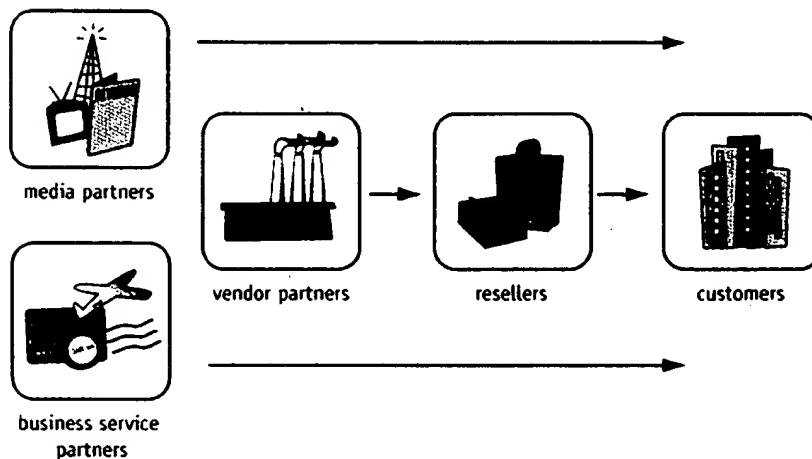
### **International Market**

There are unique opportunities in the international market. For example South African corporations spend more on promotional products than US corporations. Cultural mores in Japan promote gift giving, making Japan one of the largest buyers of branded promotional products in the world.

International market size and characteristics include the following:

- In Europe the 1997 revenues were \$15 billion, in Brazil \$4 billion, in Australia \$375 million, and in Asia \$35 billion<sup>6</sup>.
- Japan comprised 50% of the Asia revenues due to their cultural tradition of gift giving<sup>7</sup>.
- In Asia there are virtually no trade associations or industry groups.
- Hong Kong relies on a huge, antiquated database run by the Trade & Development Commission.
- The international market tends to lag the US market by 5 years.

### ***Market Process***



Typically the **customer** hires a **reseller** to help select a branded product for an event or promotion. The **reseller** locates the merchandise through established **vendor partner** relationships. The **vendor partner** manufactures or imports the items, adds the brand, and drop ships them. **Business service partners** provide services such as shipping, financing, and insurance. **Media partners** deliver educational and other useful information.

### ***Market Trends***

The following marketing trends are very favorable for *Corporategear.com*:

- Branded promotional products are adopting a more active role in marketing as mass media such as print and television integrate with other promotional efforts.
- Brands are growing in importance as marketing tools.
- Resellers are trying to become full-service sales promotion agencies and facing competition from existing integrated marketing agencies.

- Awareness of a brand represents an increasing share of the consumer experience. Branded products provide a personal touch and therefore are a high impact-marketing tool.
- Consumers in general are demanding increased customization and personalized service.
- Internet technology and digital communications are providing new opportunities and changing customer-buying patterns.

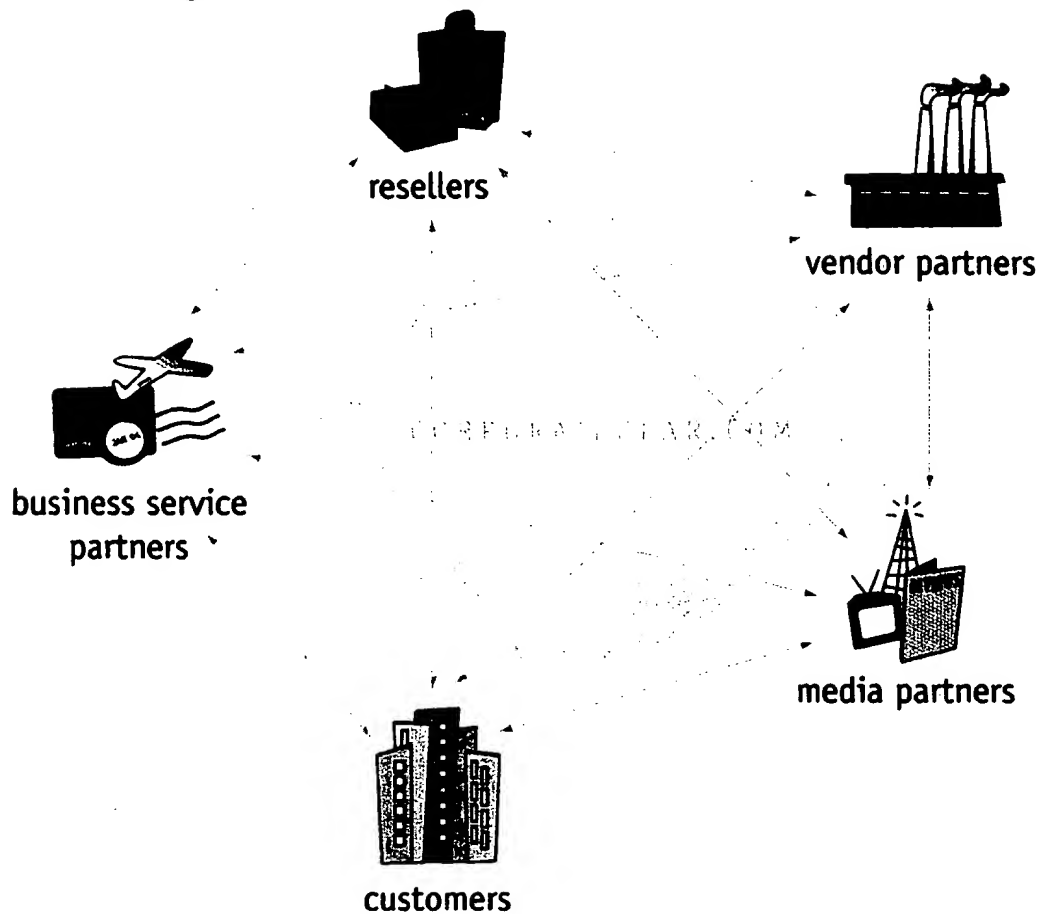
The experience of other industries has proven that the Internet expands a market enormously.

### ***Opportunity***

*Corporategear.com* has created a branded e-commerce exchange serving customers, resellers and vendor partners, as well as business service partners and media partners. This all-encompassing exchange offers scaling opportunities and economies not available in the traditional business model.

*Corporategear.com* is strategically taking maximum advantage of these opportunities by being **first to market** with a powerful, branded e-commerce exchange.

## ***Corporategear.com - Business Model***



The *Corporategear.com* business model is based on e-commerce technology that encourages a natural evolution towards more efficient and profitable commercial relationships.

*Corporategear.com* has created a standardized exchange for the branded promotional products industry serving the customer, reseller, vendor partner, business service partner, and media partner.

### ***Industry Initiative***

The *Corporategear.com* business model addresses the needs of the industry by providing the following:

- A selection of high value, high quality promotional products available online
- A business-to-business e-commerce offering that facilitates the selection, pricing, ordering and branding of merchandise

An online, industry standard pipeline for data and order flow to manage the production and distribution process from beginning to end

- Support services including shipping, financing and insurance and other essential business products
- Market and customer research information
- A community environment where users share ratings and opinions
- Information resources for all industry members

### ***Product Initiative***

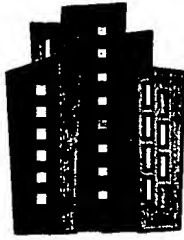
The products offered by *Corporategear.com* target the buyer who is motivated by value. Value is the strength of a perception of a fair return or equivalent in goods, services, or money for something exchanged.

Through its merchandising function *Corporategear.com* offers a unique selection of diverse, high quality products from the 500,000 available. The *Corporategear.com* merchandising function focuses on value. The products and ideas offered are constantly updated based on market trends, seasonal opportunities and other event specific requirements. *Corporategear.com's* efficient organization of the search and selection process is increasing the speed with which products are coming to market.

*Corporategear.com* is making vast quantities of product information available to resellers at a fraction of the cost and sourcing-time to which they are accustomed.

*Corporategear.com* will soon narrow the online selection in a customized fashion for customers. *Corporategear.com* will show each customer preferentially what that customer will most likely buy, based on demographic buying trends and past purchases.

## ***Customers***



### **customers**

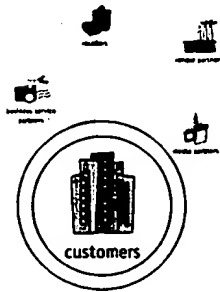
Customers rely on resellers. They have very little understanding of the industry and the buying process. Customers include the following:

- Corporate departments including Marketing, Communications, and Human Resources
- Not for Profit Associations
- Small businesses (business-to-business retail)
- Advertising, Branding, and Public Relations agencies
- Convention and Event Planners
- Educational institutions
- Entertainment and product licensees

Customers increasingly expect more value from their purchasing experience with a high quality product that promotes their brand. They want a predictable and convenient transaction. They are often frustrated because they have to rely on the reseller for the options offered and the flow of information.

Currently customers have low expectations of resellers, viewing them as primarily product sales people rather than advertising experts. They expect the reseller to find favorable prices, produce samples and ensure timely delivery. Customers do not differentiate between resellers and do not have any contact with vendors.

## Customer Strategy



*Corporategear.com* provides the customer with a **consistent, reliable experience** and an **easy, efficient way to buy branded promotional products online**:

- *Corporategear.com* enables the customer to browse quickly through a focused set of high quality, competitively priced products.
- *Corporategear.com* maintains the customer's logo and artwork securely in a readily available personal or corporate online library. The integrity of design is protected enabling *Corporategear.com* to expedite future orders.
- *Corporategear.com* will provide customers with the online ability to see their firms' logos applied directly to the products they select.
- *Corporategear.com* tracks the production and delivery of orders online giving the customer access to the order status on demand.
- *Corporategear.com* will create custom web pages for corporate clients to manage their branding program and products.
- *Corporategear.com* will provide online branding and marketing education for the customer.
- *Corporategear.com* tracks a customer's order-history and sends reminders when it is time for recurring events.
- *Corporategear.com* encourages customers to provide feedback on how products worked for them.

If needed, friendly assistance with custom product orders, branding strategy and artwork preparation is available from experienced *Corporategear.com* Customer Solutions staff. Presently, this assistance is available online and in real-time using software called "Live Help" and is also available by phone at a toll free number.

*Corporategear.com* is organized around and focused on the customer-needs, providing customers with a fast, cost efficient and simplified e-commerce solution to promote their brand. The customer is integrated into a web community of people with similar objectives and experiences.

## Personalization

*Corporategear.com* delivers customized products along with personalized attention providing excellent service, ultimately raising expectations so that customers will depend on *Corporategear.com* for their entire branded promotional product experience. **Eventually they will think of *Corporategear.com* as a first stop when looking for information about business products and services in general.**

## Community

*Corporategear.com* will make customers feel part of a community that is dedicated to promoting and developing their brands and their businesses. Producing venues to exchange the following online will develop this community:

- Ideas and experiences
- Branding strategy education
- Business updates on relevant industry topics
- Loyalty inducements
- Expert advice on specific promotional questions

*Corporategear.com* is presently partnering with existing media providers of quality business and branding content, such as industry magazines, to achieve these goals.

## Customer Solutions Product Support

**Customer service is the top priority.** *Corporategear.com* will eventually offer multilingual "customer solutions" 24 hours a day, seven days a week. Customer Solution representatives are presently compensated based on customer satisfaction and incidence of repeat business. ***Corporategear.com* always says yes to a customer, finding a way to meet the customer's needs.**

## Corporate Artwork

*Corporategear.com* customers' artwork can already be stored online accessibly; *Corporategear.com* will eventually allow customers to see items branded with their identity online as well. This new technology is a powerful selling tool as well as an inducement for repeat business. One click ordering is presently a reality for *Corporategear.com* customers with all their password-protected information readily available when needed.



## ***Resellers***



resellers

The branded promotional product industry resellers are fragmented and vary significantly in size and capabilities.

- There are over 15,500 reseller organizations ranging from independent sales representatives to public companies<sup>8</sup>.
- Four hundred resellers had sales exceeding \$2.5 million in 1997<sup>9</sup>. Almost all are roll-ups of smaller companies.
- The rest are 1-2 person independent organizations, mostly family-owned businesses dependent on one or two large customers.

The existing reseller business model does not support scaling and is vulnerable to profit erosion due to the high cost of sales and limited use of technology. Thus resellers end up charging high margins that cannot sustain marketing and branding efforts. These high margins are also unsustainable for the e-commerce market.

Resellers control the relationship with the customer and are attempting to become consultants who identify marketing opportunities that can be addressed by a creative branded product promotion campaign. Customers are not responding to these initiatives and continue to regard resellers with the same low esteem previously mentioned.

## ***Reseller Strategy***



*Corporategear.com* provides resellers with the opportunity to leverage their sales efforts by streamlining the process of sourcing and pricing products and automating tedious administrative tasks. *Corporategear.com* also provides the tools to increase sales volume as well as profits. They include the following:

- A selection of high quality products from reliable vendor partners
- Timely information on new products
- Seasonal and special offers
- Quick response to custom pricing and product inquiries
- Online order tracking to monitor delivery commitments
- Low-cost shipping, insurance and financing options to reduce overhead and improve service
- Customer ordering, demographic, and usage data and market research information.

The reseller strategy takes into account the trend towards decreasing margins in the industry. *Corporategear.com* is using two channels of distribution to insulate against any significant shifts in the market dynamics caused by declining margins.

### **1) Small Distributorships**

*Corporategear.com* is cultivating a relationship with the 15,100 small distributorships. The company will gain entry into these existing client relationships with an inexpensive, packaged solution of product sourcing and back office operations. *Corporategear.com* will offer services as modules, rather than as a total package. This range of services allows the reseller to focus on marketing and sales, rather than the time-consuming process of sourcing and administration. This approach better integrates the existing reseller community as they can control how they use and pay for the services.

### **2) Advertising Agencies**

*Corporategear.com* has identified a second reseller relationship. Traditionally, resellers add value only through specification and selection. As the current reseller population is fragmented and under-qualified, *Corporategear.com* will focus a significant amount of reseller marketing towards advertising agencies and other service bureau organizations that add value to the integrated marketing process. Providing these agencies with a whole new venue of promotional media will create a sustainable reseller population.

### **Branded Resellers**

Branded resellers have a narrower product range and a specific market that recognizes their brand. *Corporategear.com* will offer branded resellers better pricing than non-branded resellers. The company can control competition from these branded resellers through pricing arrangements that are less expensive for them than setting up their own database, but costly enough so as not to undercut *Corporategear.com*.

### **The Reseller must add quality**

*Corporategear.com* will create as many distribution channels as possible by allowing for a range of resellers; however, a particular reseller must add value in some way to sustain its relationship with the customer. The reseller who chooses only to recycle the *Corporategear.com* service will face competition from the increasing technical ability of the website product itself, and from slowly decreasing margins in the industry.



## ***Vendor Partners***



Vendor partners differ considerably in the range of products and level of quality and reliability they offer.

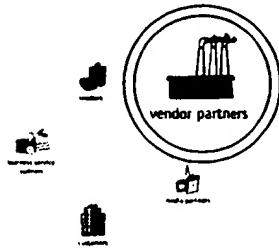
- There are over 3,400 industry-registered vendor partners including
  1. Small custom shops
  2. Large domestic companies
  3. Agents that represent offshore manufacturers
- Typically the largest 25 vendor partners use the largest 400 resellers.
- The glut of similar products turns these products into commodities and impedes product differentiation.
- Limited marketing efforts do not reinforce repeat purchases or return customers.
- There is no web presence beyond brochure-ware.
- Current industry efforts do not scale and are not cost effective.

### **Vendor Partner Issues:**

- Vendor partners typically have no contact with customers and rely on resellers to reach customers.
- Vendor partners spend significant amounts of effort and money providing pricing quotes and samples to resellers.
- It is difficult for the vendor partner to gather any product or customer market research, or customer buying pattern information.
- Resellers see vendor partners as easily interchangeable and do not differentiate amongst them.

Vendor partners are a fragmented group with little sense of how e-commerce could affect their business. They know they should have an Internet presence but are not sure how.

## **Vendor Partner Strategy**



Vendor Partners currently use a catalog or CD-ROM to disseminate product information and prices. This inefficient method of distribution results in out of date product information and incorrect prices. *Corporategear.com* is providing vendor partners with an e-commerce end-to-end business solution to manage the cataloguing, production, and distribution processes – which they update themselves. The *Corporategear.com* business model does the following for Vendor Partners:

- Collects, houses and distributes product images, specifications, and pricing information.
- Enables vendor partners to update this information online and on demand.
- Tracks order, production and billing information flow and makes this information available online.
- Arranges financing to eliminate accounts receivable and credit risk.
- Records customer, ordering, demographic and usage information.
- Provides vendor partners with an instant, easy to implement, inexpensive, e-commerce presence. If required creates and maintains unique vendor partner websites and data links.
- Allows vendor partners to bid on large customer orders

### **The *Corporategear.com* Standard Database**

*Corporategear.com* will become the industry standard for data distribution by reselling vendor partner information to the marketplace. Vendor partners want to enter their data only a limited number of times into a reseller database. *Corporategear.com* will capture a significant portion of the vendor partner community by being first to market with this interactive product and by offering an easy solution to managing their product data information needs and their workflow processes. The vendor partners that *Corporategear.com* is presently integrating into the system have been extremely enthusiastic. *Corporategear.com* has created an incentive for vendor partners to continue entering their data and to maintain these data as accurately as possible by offering to resell the information.

## **International Vendor Partner Base**

*Corporategear.com* will pursue relationships with vendor partners in low cost labor markets such as Bangladesh and southern China. The company will enable vendor partners to trade amongst each other as well as with resellers and customers by gathering vendor partner data from as many markets as possible. **The *Corporategear.com* goal is to create a massive vendor partner database spanning numerous global markets.** Ultimately, this collection of data will allow *Corporategear.com* to compete locally on a global scale.

*Corporategear.com* offers vendor partners an accessible, accurate, and efficient e-commerce technology solution that reduces costs and increases profits. Currently this segment of the industry is under-served and depends on the reseller for the interface with the customer.



## ***Business Service Partner Strategy***

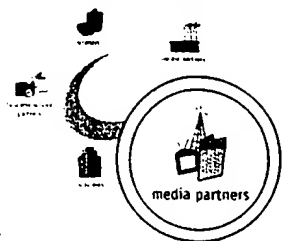


*Corporategear.com* will leverage website income by developing additional sources of revenue from business service partners. Services such as fulfillment, shipping, insurance, and financing will be offered to facilitate the order process, and to lower overall costs.

As the margins decrease in general product sales, these other sources of revenue from more sophisticated products will become increasingly important towards increasing shareholder value. There are numerous opportunities to offer revenue-generating goods and services online and *Corporategear.com* will capitalize on all that fit its branding strategy.



## Media Partner Strategy



*Corporategear.com* will resell related educational materials, literature, and conference information and will also sell space for industry-relevant advertising on the website. The *Corporategear.com* exchange will create a community where any member of the promotional products industry (be it customer, reseller, or vendor partner) can find and purchase appropriate resources.

## Educational Resource

*Corporategear.com* is developing an educational resource about the branding, marketing, direct mail and sales promotion industries. *Corporategear.com* is defining the promotional product experience more thoroughly by consolidating the available resources and by developing a consistent look and feel for its community. The goal is to become for businesses wanting to promote themselves what Martha Stewart is for Americans wanting to live in style.

## Information Resource

To integrate the user-experience, *Corporategear.com* will create a resource for tradeshow strategies as it relates to promotional products and will deliver information about tradeshows and other similar events around the country. The Company will offer other information sites space on its pages in exchange for content. The *Corporategear.com* exchange provides an environment to manage an experience, rather than simply providing a link to another site.

***Corporategear.com* will brand its content thereby establishing itself as an industry standard for promotional products.** *Corporategear.com* is more attractive to partners by offering resources that enrich their websites instead of paying them to take traffic away from their sites.

Subsequent efforts will target websites that offer promotional product buying opportunities such as sales education, event planning, and sport sponsorships. *Corporategear.com* will become a media partner itself for other vertical components of the integrated marketing industry.



## **Focus on the Customer**

### **Reliable Branding**

*Corporategear.com* has initiated discussions with large branding companies, presently Landor as well as Siegel and Gale, in efforts to provide larger companies with the technology to control their brand as it relates to their promotional product activities. These are the agencies that develop the identities for companies like Federal Express and Citigroup. Currently the implementation director for Landor in San Francisco is consulting with *Corporategear.com* to strategize the use of *Corporategear.com* proprietary technology to power the promotional product sites for large organizations. This relationship will result in *Corporategear.com* becoming a Landor-approved product. This will position it to become the premier media partner for major multi-national corporations as they redefine their brand strategies. This exercise will also allow *Corporategear.com* to achieve considerable recognition in the advertising industry as the promotional products solution for large companies.

### **Customer Solutions Strategy**

While *Corporategear.com* understands that outsourcing is essential to continued success, *Corporategear.com* is still a customer solution business. Keeping customers satisfied with their experience is paramount to increasing shareholder value. In a commodified relationship the value added is always with service.

Included in good service is keeping the promise of the brand. *Corporategear.com* will develop its brand so that it is the dominant brand in the industry. Currently this industry has no significant brand presence. *Corporategear.com* will generate ever-increasing customer loyalty by creating a symbol of excellence with a single guiding principle:

***Corporategear.com* follows through on all its commitments.**

## **Sales and Marketing**

### **Sales**

Sales efforts are focused on encouraging people to register onto the *Corporategear.com* site and upload their corporate artwork. Customers are more likely to choose *Corporategear.com* to make a promotional product purchase once they are registered and *Corporategear.com* already has their art on file. *Corporategear.com* is succeeding by targeting a narrow focused group of customers and offering a valuable set of products. Traditionally in this industry, the client is told that any product is available and any process can be made possible. This diversity of options leads to significant variability in job profitability. *Corporategear.com* increases productivity and profitability on a per job basis by standardizing the options.

However, *Corporategear.com* intends to charge accordingly for projects that fall outside the scope of the technology and data set. *Corporategear.com* will always say yes but make any job profitable.

### **Customer Acquisition**

*Corporategear.com* will incur high customer acquisition costs during these first six months in order to generate near-term volume through a new process. This cost will trend downwards as the user base increases. *Corporategear.com* will direct its resources toward customer retention as the shift from new customer to repeat user occurs.

### **Incentives**

Instead of offering financial rewards to users for encouraging associates to register on the site, *Corporategear.com* creates incentives that follow a brand positioning strategy. *Corporategear.com* will acquire an enormous part time sales force by offering other merchandise of value, in the same way American Express offers a selection of prestigious branded merchandise to its customers.

### **Customer Retention**

The customer retention strategy is the most important element to the sales strategy. *Corporategear.com* is servicing and growing the customers it already has. *Corporategear.com* always says thank you and gives a gift with the first purchase. A week later, *Corporategear.com* mails an extra thank you. That note includes a gift certificate with a customized value depending on the value of their first purchase. *Corporategear.com* rewards the customer if they buy for a

second time, but this time in a separate package from the order. If they buy for a third time, *Corporategear.com* invites them to become a member of the 5% club. They get an extra five-percent savings on everything they buy. *Corporategear.com* is investing to keep its customers happy; these are the people responsible for a large portion of the profits.

In the near future, *Corporategear.com*'s sales force will include people devoted to resellers and to vendor partners, as well as some key account managers. The current grass-roots efforts soon will be taken over by more comprehensive marketing schemes; but the customer-experience will be extremely personal, friendly, and in the company of someone known and trusted for these first few thousand purchases. If *Corporategear.com* can create a group of a few thousand believers who feel that they are a part of the *Corporategear.com* community, then the model works: customers are happy and revenues prove the *Corporategear.com* concept.

### **Marketing**

The Internet is a word-of-mouth medium. There are few dominant media partners and everyone from Matt Drudge to CBS has equal access to the consumer. Leveraging of word of mouth is a more effective sales tool on the Internet than traditional methods of reaching consumers.

### **Initial Market**

The New York metropolitan area is the target market for the first six months and was chosen because it is the toughest trial market there is. We intend to focus on the Advertising and Marketing, Finance, Insurance, Cosmetic, Healthcare and Technology industries. *Corporategear.com* already has hundreds of contacts in these industries, made when it was an integrated marketing agency (Verchere Group). *Corporategear.com* is also using these contacts to establish a foothold in multinational companies in the New York area. It becomes easier to associate the *Corporategear.com* brand with quality if this brand becomes established in a group of large, respected corporations. Presently, *Corporategear.com* is targeting a list of 500 potential clients including the established contacts mentioned above.

### **Rewards and Loyalty Programs**

An effective way to encourage discussion about your product is with rewards. Credit Card companies and Airlines build customer loyalty by offering rewards for repeat business. *Corporategear.com* is doing the same for its customers. The best advertising is a happy customer who tells another person about *Corporategear.com* service.

Loyalty programs are also useful for positioning a brand in relation to other brands. *Corporategear.com* will become a proud symbol of good things and kept promises by carefully positioning the brand alongside other household symbols of trust, excellence, and tradition. *Corporategear.com* will create a loyal base of registered users by always offering rewards to customers who use its services and refer new business.

### **Promotions Targeting \$25 000 Customers**

#### **point. click. fly.**

*Corporategear.com* is offering a promotion to preferred, potential clients until the end of 1999. A total purchase of \$25 000 entitles a customer to a plane ticket anywhere in the continental United States, while a purchase of \$35 000 entitles the customer to two such plane tickets.

#### **Other Promotional Rewards:**

- A personalized fruit basket sent as a first contact with a phone-call follow-up.
- An "Introductory Pack" after first-contact including *Corporategear.com* literature, the "point. click. fly." promotion, and a *Corporategear.com* mousepad.
- A thank you Starbucks Gift Certificate sent to a client after registration
- A thank you *Corporategear.com* pen sent to a client who uploads corporate art into the art database.

The early sales strategy of targeting customers on an individual basis works well to launch the process and the concept, however this model does not scale. The marketing strategy will evolve over the next few months as the *Corporategear.com* concept is refined. *Corporategear.com*'s Marketing Department is focusing on the following during this process:

- Testing short-term marketing endeavors and pursuing those that work.
- Partnering with agencies that concentrate on Internet research-based marketing.
- An associate marketing program whereby media partners direct traffic to the *Corporategear.com* site.
- An affinity marketing program in which the *Corporategear.com* brand is associated with other quality brands.

The Marketing Department holds to two basic principles:

- The *Corporategear.com* brand is its most important asset and must maintain its integrity.
- Explanations of *Corporategear.com* concepts to customers must be easily understood.

## ***Public Relations***

Public relations efforts have been directed to the major metropolitan areas, specifically business centers. Word of mouth has been the most important and least expensive means of communication. *Corporategear.com* has already generated considerable excitement by going to many industry and e-commerce events and talking about the process and the offering.

To complement this grassroots strategy *Corporategear.com* is searching for a public relations agency that understands the market and then can create current excitement about the offering. *Corporategear.com* hopes to generate revenue and attention through human interest as well. It will seek out media opportunities to create an interest in the business model, not just a consumer interest in the products.

The basis of the public relations strategy is to tell the *Corporategear.com* story in the most compelling way possible. *Corporategear.com* needs to sell the industry, the customers, the vendor partners, the content, and the process as much as the product. *Corporategear.com* is the corporate extension of a group of people who believe in a simple concept - point. click. brand.

## ***Branding***

In an industry driven by technological advancement, familiar touchstones become increasingly important for a sense of community and continuity. *Corporategear.com* intends to be that touchstone. Initially the branding strategy will focus on a principal identity and tagline. *Corporategear.com* has engaged a branding consultant from Landor Associates to help direct that strategy.

There are some complicated co-branding issues that will soon need to be resolved. The partnering agreements with vendor, business and programming partners will be more beneficial over the long term if *Corporategear.com* implements a consistent co-branding strategy at the beginning of the relationship. Most Internet businesses have a chaotic branding strategy and choose to focus resources on technology rather than branding. *Corporategear.com* can dominate others wishing to copy its business model in the future by being very aggressive and uncompromising with the *Corporategear.com* identity at the outset.

## Competing in the Marketplace

### *The Competition*

The competition in the promotional products industry is fragmented. It falls into two main categories:

- Product Resellers
- Product Information Resellers

Typically competitors are using presence on the World Wide Web as an adjunct to their existing business model. They are attempting to force fit an old business model with its inherent problems into an Internet business model. This method is highly inefficient because the existing structure and culture cannot meet the needs of both the new and old – they are in conflict.

### **Product Resellers**

Cyrk is large a public company with annual revenues of \$679 million in 1997. It offers a full service personalized option that includes the creation, design, planning, and sourcing of products for an entire promotion. Cyrk specializes in providing solutions to large companies. It presently has a website that is not interactive.

Ha-Lo is a large public company with annual revenues of \$390 million. It is a conglomeration of more than 50 different resellers. Ha-Lo has begun building email relationships with Latin American clients and has an international presence. However Ha-Lo's web page is also not presently interactive and is similar to a company brochure.

In early July, Halo announced that it would miss analysts' estimates for the second quarter and the next two years. It is scrambling to streamline its back-office facilities, improve the efficiency of its warehouses and install new software to centralize its information system; however, it has made no plans to integrate and implement these changes using any kind of an e-commerce model. Halo is trying to make the traditional industry business model more efficient, rather than abandoning it altogether.

There are about 400 mid-range companies with annual revenues of \$2.5 to \$10 million. They typically offer a full service option to their customers. Venture Channel Group and some other mid range resellers have catalog type, non-interactive web pages.

The bulk of the competitors are small resellers with revenues less than \$2.5 million per year. They are typically 1 to 2 person family-owned organizations that do not use technology in sales or operations. Their marketing and sales

efforts are usually through personal relationships and they are often dependent on one or two major customers.

There exists the possibility that a group of resellers will create its own websites and use *Corporategear.com* data to populate these sites and the *Corporategear.com* back office facilities to manage the production. *Corporategear.com* will continue to generate revenue from these resellers while undercutting their pricing slightly. *Corporategear.com* is pricing the data and back office services so as to encourage competition while not allowing for resellers to undercut the pricing except on an incidental basis.

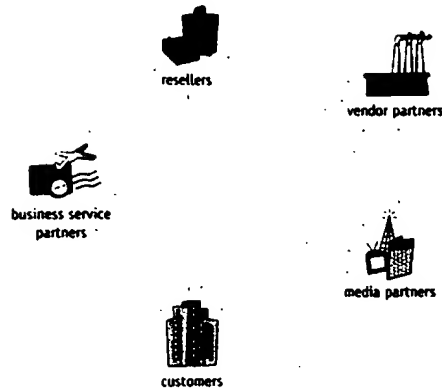
### **Information (Content) Resellers**

ASI – Advertising Specialty Industry.

ASI has attempted to build a rudimentary industry database. It catalogs every vendor partner's product line in a huge reference catalog. It is a difficult task to keep this catalog current. It treats every reseller and vendor partner the same regardless of size, revenue, or quality. The information is distributed by CD-ROM and is updated only quarterly. ASI charges at least \$3,000 per year to a reseller for the use of this information, available on their password-accessed website.

Impact consolidates vendor partner data and has amassed 30,000 product images. They charge about the same and offer many of the same services as ASI; however, the format is more visually appealing. Their information is distributed quarterly on CD ROM. Impact treats all resellers and vendor partners equally regardless of size or revenue. They have a limited Internet presence, consisting of an online brochure.

## ***The Corporategear.com Competitive Advantage***



There is no competitor that offers a complete range of products, services and information to the branded products industry. *Corporategear.com* is unique in that it manages the market's needs from beginning to end.

### **Redefining the Market**

*Corporategear.com* is establishing an environment in which all members of the promotional products industry become users of our service. The market base expands from those actually purchasing promotional products, to all those involved in the process of purchasing promotional products.

### **No Legacy Conflict**

*Corporategear.com* is building an organization that focuses on an e-commerce solution to a data and order flow management problem. *Corporategear.com* is not integrating with a legacy system based on an old business model, so there is no potential for conflict.

### **Setting a Standard**

*Corporategear.com* is the only comprehensive solution for all members of the promotional products industry. It also includes high quality products, current and accurate information, and support services with the result that the end-user has a consistent, reliable and productive experience. This experience can be provided at a cost below current industry levels, because of the scaling capabilities and efficiency of the *Corporategear.com* business model.

The *Corporategear.com* competitive advantages include the following:

- Being First to Market
- A branded, interactive e-commerce solution that streamlines processing
- A novel, reliable, and efficient buying experience thereby adding value
- Storage of corporate artwork in easily accessible libraries
- The ability to view this artwork on a sample image online, in real-time
- Faster and broader access to customers for vendor partners
- Accessible fees for resellers and vendor partners to take advantage of the resources

### ***Corporategear.com Sets These Barriers to Entry***

The barriers to entry created by the *Corporategear.com* business model are significant, as they are unique to the industry:

- *Corporategear.com's* customer database of corporate artwork and branding criteria.
- It will be hard to attract a customer away from *Corporategear.com* once a customer's artwork is stored in this library.
- *Corporategear.com's* volume will allow it to be the main source of vendor partner products & pricing information.
- *Corporategear.com's* relationships with key industry media partners will make it the first-stop industry resource.
- *Corporategear.com* will raise customer expectations by providing high quality products, timely delivery and low price.
- *Corporategear.com* will have one of the largest real time databases of product information.

## Technology

### ***The Design***

The software delivery model for the *Corporategear.com* exchange is separated into Multiple Services Layers: Presentation, Business, and Data Services. This separation allows for either a "browser" or "client/server" presentation style to access common functions. The design also permits the modification of the underlying database schema, including a complete change in database platform, without affecting the user interface. The software implementation of the business model using scalable and "stateless" architecture includes multiple data stores and other business service layers. Furthermore, the architecture provides distributed transactions across platforms and over public networks – "Electronic Data Exchange" with *Corporategear.com* Vendor Partners and Resellers.

### ***The Construction***

The *Corporategear.com* development team is employing an established "staged delivery" software development model. This proven method ensures solid software architecture, high quality programming code, and the fulfillment of 'build-to-budget' and 'build-to-scale' forecasts.

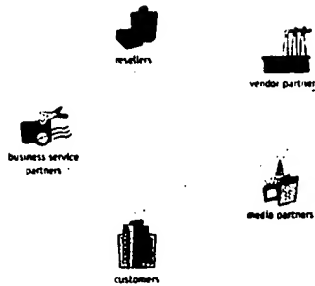
### ***The Tools***

*Corporategear.com* developers are building this site using the best Microsoft and open-standards technologies, including, but not limited to the following:

- Unified Modeling Language (UML)
- Active Server Pages (ASP)
- Dynamic HTML (DHTML)
- Cascading Style Sheets (CSS1)
- Java and Java script
- Microsoft Visual Basic
- Microsoft Site Server Commerce Edition
- Microsoft Transaction Server
- Microsoft Message Queue
- Microsoft SQL on clustered servers
- Visual Basic Components

*Corporategear.com's* technological advantage is a major barrier-to-entry.

## Revenue Model



*Corporategear.com* generates revenue from every component of multiple distribution channels and from complimentary business services as well. The number of revenue streams grows as the *Corporategear.com* exchange itself spreads out. Profit margins will trail off for all product-only-reselling competitors while *Corporategear.com* will increase profits.

### **Breakeven Point**

The first revenue goal is to hit breakeven on an operational level. *Corporategear.com* will then have a sustainable, profitable business model and a scalable enterprise. As the business expands, *Corporategear.com* can benefit from the economies of scale, achieving a continued increase in profitability.

### **Revenue Streams**

The revenue model presently recognizes five general revenue sources made up of the five exchange members: Customers, Resellers, Vendor Partners, Media Partners, and Business Service Partners. These exchange members are both purchasing goods and services from *Corporategear.com* and offering goods and services through the *Corporategear.com* exchange. Ultimately, everyone is a client. The company is generating revenue from the many goods and services made available in three ways:

- Markups
- Subscription Fees
- Transaction Charges

*Corporategear.com* breaks up the different components of the various offerings and then bundles them into packages that are attractive to its users.

### **Markups**

*Corporategear.com* resells goods and services to different members of its exchange with a percentage increase in the price over which *Corporategear.com*

has purchased these goods and services. Examples of marked up goods and services include the following:

- Branded promotional products
- Non-branded promotional products
- Shipping
- Insurance

### **Subscription Fees**

*Corporategear.com* offers an allotment of services to its exchange members at an adjustable rate depending on the package offered. Extra usage is charged for accordingly. Examples of subscription services include the following:

- Customized Reseller Websites
- Market Research for Vendor Partners
- Content Packages for Customers
- Back Office services for all exchange members

### **Transaction Charge**

*Corporategear.com* offers services on a "per use" basis. E-commerce pundits are predicting that microtransactions eventually will dominate the e-commerce marketplace, especially within industry portals. The *Corporategear.com* exchange logs all transactions and charges the appropriate exchange member involved. Examples of transaction charges include the following:

- Automatic invoice generation
- Quotation requests
- Information requests
- Market data access

### ***Opportunities to Expand the Revenue Base***

Markups from promotional products offered on the site are not the only source of revenue. The promotional products retail model is merely a springboard leading to other revenue streams.

### **Business and Media Services**

*Corporategear.com* has expanded its revenue base to include offerings such as creative services, design services, content subscriptions, quoting, and ordering, all bundled or offered individually. It continues to add other services to its model. *Corporategear.com* charges for every component of service to every member of the exchange.

### **Advertising**

Management believes that revenues from advertising and product placement on the site will be a significant source of proceeds from the vendor partner,

business services partner, and programming partner bases. These options are also bundled so as to provide a strong incentive for sales.

### **The Bidding Exchange**

*Corporategear.com* offers bidding services to the customer base as part of the exchange. There are facilities to bid out larger jobs, which usually require at least three estimates, to the vendor partner who is best able to meet the demand. *Corporategear.com* takes a percentage of the transaction in exchange for this service as well as a fee each time the service is used. These bidding services are bundled into subscriptions or offered separately, as with all the other services.

Fulfillment and logistics services will also be offered to the *Corporategear.com* exchange members. They will be able to choose between small scales services on a fee per service basis and larger scales services through the standardized bidding module.

### **Financing**

Financing opportunities for *Corporategear.com* users can provide revenues for each transaction, and increase the annual gross margins significantly. Eventually this function will be brought in-house.

### **Custom Solutions**

*Corporategear.com* continues to collect revenue from the traditional custom solutions business. It mark ups each product sale proportionately for this highly personalized service. The company expects this service to maintain a significant role in the revenue model.

### **Summary**

*Corporategear.com* allows an ever-increasing base of goods and services to be offered and purchased within its exchange. As *Corporategear.com* standardizes the method of purchase for the promotional products industry, it also becomes a resource for the purchase of all related services and goods.

## **Investment**

### ***Use of Proceeds***

Management will use proceeds to scale the enterprise as quickly as possible. Growth and ubiquity are more important than revenue, both today and in the near future. *Corporategear.com* will dominate the marketplace as aggressively as possible and explore as many revenue-generating opportunities as it can before leveling off growth to a steady 8-10% per year. Profitability is obviously the ultimate goal.

### ***Technology Investment***

Technology investments will be significant in the initial scaling phase of the operation.

### ***Identity Investment***

There exists an opportunity to brand this industry with a cohesive identity. *Corporategear.com* will engage a branding agency to help solidify and establish its brand identity and ensure the *Corporategear.com* name is synonymous with the industry. *Corporategear.com* will take the significant position in the marketplace by building a strong brand identity in the beginning of its existence. Most organizations fail to clearly identify their brand and its message thus diluting early marketing efforts. *Corporategear.com* will make its message clear and fulfill its promises.

### ***Infrastructure Investment***

As *Corporategear.com* continues to grow it will require more space to continue operations. This growth will involve relocation to larger premises. *Corporategear.com* currently is located in a loft on 14<sup>th</sup> Street in NYC and this location can accommodate around 30 people.

### ***Scaling investment***

*Corporategear.com* needs to hire and expand to meet our market share acquisition targets. Management has projected a total employee count of 61 by the end of year 1. While we intend to remain operationally profitable we intend to invest heavily in scalable technology and infrastructure solutions.

## Management

Building on a history of success, *Corporategear.com* management brings experience from technology, advertising, finance and operations.

- Chief Executive Officer - David Verchere - 30  
David started and ran a successful sales promotion agency that was folded profitably into *Corporategear.com*, providing a substantial client base for initial operations. Profits from Verchere Group were used to start *Corporategear.com*. David has a BA in Classics and French Literature from the Université de Montreal. Before starting Verchere Group David ran a bi-weekly arts and cultural tabloid in Montreal, Canada.
- Chief Tecnology Officer - Brekynn Rhys - 33  
Brekynn has 12 years experience working in the network management forum. He started and ran a successful consulting company specializing in web and e-commerce applications and management of corporate intranets. This company was folded profitably into *Corporategear.com* in order to provide technical and information solutions. Brekynn has a BSc in Electronics and Music from NYU and has various industry certifications including being a Novell Engineer and a Microsoft Engineer with Developer Network Membership.
- Senior Vice-President of Sales and Marketing - TBA - 35  
Currently *Corporategear.com* is finalizing an agreement with the Director of Marketing and Communications at a billion dollar retail company. He has global branding and marketing experience and directs his company's web and e-commerce strategy.
- Chief Operating Officer - TBA  
*Corparategear.com* is currently searching for a Chief Operating Officer
- Chief Finance Officer - Brian Heyman - 35  
Brian has 12 years experience in investment banking and finance. He has worked for Goldman Sachs and CS First Boston and recently was the CFO of Arnell Group, a national branding and advertising agency.
- Chairman - Lynne Verchere - 58  
Lynne started Manac Systems in the 1980s, the largest supplier of legal software solutions in the world. She eventually sold it to Gulf and Western in 1987. IBM licensed this product in 1982 as the Information Systems for Attorneys. She is currently an Angel investor in *Corporategear.com* and a consultant for application development. Lynne has an MBA from Concordia University and used to teach computer science there.

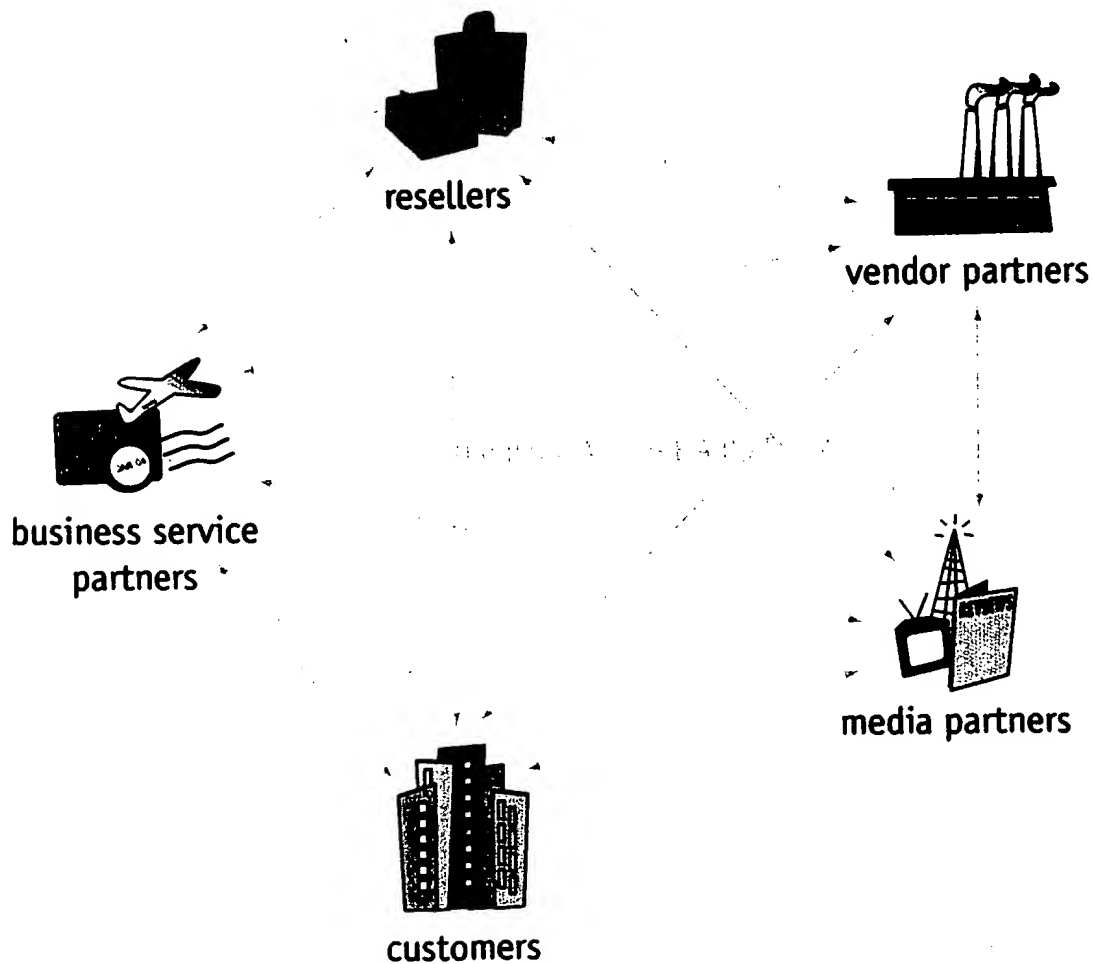
Management is concentrating on actualizing the current short-term objectives while remaining focused on building trust with our customer. We believe customer service to be the single most important requirement of a successful business. We have one customer service objective for customer retention:

**Follow through on all the commitments you make.**

## Conclusion

*Corporategear.com* is creating the branded, standard method of purchase for the branded promotional products industry. This first-to-market e-commerce solution will become an Internet portal for promotional goods and services, with the potential to expand into the non-promotional business-to-business e-commerce market in general. It all begins with one simple concept:

**point. click. brand.**



## Sources

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- <sup>1</sup> *Promotional Products Association*, 1998 Estimate of Distributor Sales
- <sup>2</sup> *Promotional Products Association*, 1998 Estimate of Distributor Sales
- <sup>3</sup> *The Counselor*, 1998 State of the Industry Report
- <sup>4</sup> *PROMO Magazine*, 1998 Annual Report
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- <sup>6</sup> *PROMO Magazine*, 1998 Annual Report
- <sup>7</sup> *PROMO Magazine*, 1998 Annual Report
- <sup>8</sup> *The Counselor*, 1998 State of the Industry Report
- <sup>9</sup> *The Counselor*, 1998 State of the Industry Report